THE FINANCE BILL, 1992

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI RAMESHWAR THAKUR) : Madam, on behalf of the hon. Finance Minister, Dr. Manmohan Singh, I beg to move :

> "That the Bill to give effect to the financial proposals of the Central Government for the financial year 1992-93, as passed by the Lok Sabha, be taken into consideration."

SHRI DIPEN GHOSH (West Bengal) : Madam, we are entitled to have a discussion ... (*Interruptions*) ...

THE DEPUTY CHAIRMAN : Mr. Dipen Ghosh, I have already called the Minister.

SHRI DIPEN GHOSH : We are entitled to have a discussion on this, as permitted by the BAC. The Minister of Parliamentary Affairs is here ... (*Interruptions*) ... Let the Finance Bill be passed. Let the Minister of Parliamentary Affairs assure this House that yes, we can discuss ... (*Interruptions*) ... We have a right to discuss. We are entitled to have a discussion ...

SHRI RAMESHWAR THAKUR : Madam, while presenting the Budget in the Lok Sabha on 29th February, 1992, I had explained the salient features of the proposals contained in the Bill.

(*Interruptions*)

THE DUPUTY CHAIRMAN : Let the Minister read out the Finance Bill. Here money is involved, you are not bothered about it.

SHRI DIPEN GHOSH : Every day the press will come out with this statement or with that statement. Only the Members of Parliament are not entitled to discuss that matter. We are discussing the question of the right of ... (*Interruptions*) ...

THE DEPUTY CHAIRMAN : How can I say what statement should come in the press or not? I can't even say what statement should come in the House. I have only to regulate the statement. Let me regulate the Business of the House, which is my job.

SHRI RAMESHWAR THAKUR : I feel gratified ... (*Interruptions*) ...

SHRI N. E. BALARAM (Kerala) : Madam, where is the Finance Minister ?

THE DEPUTY CHAIRMAN : He is busy in the Lok Sabha.

SHRI N.E. BALARAM : Then you please tell us. Somebody should tell as he is busy. It was said that the Bill would be moved by the Finance Minister.

THE DEPUTY CHAIRMAN : Thakur Sahib ... (*Interruptions*) ...

THE MINISTER OF PARLIAMENTARY AFFAIRS (SHRI GHULAM NABI AZAD) : No, no; he has started saying, on behalf of the hon. Finance Minister he is making a statement. He has started with "on behalf of my colleague I beg to move". (*Interruptions*)

THE DEPUTY CHAIRMAN : You were listening to Mr. Dipen Ghosh. (*Interruptions*)

SHRI RAMESHWAR THAKUR : I have said so. (*Interruptions*)

THE DEPUTY CHAIRMAN : He said that. That is what he is repeating that he has said it. But unfortunately there were two channels going on—one is the Finance Minister and the other is Mr. Dipen Ghosh. Mr. Dipen Ghosh has a louder voice so that he would be heard more than the Finance Minister. So, please listen to him in utter silence.

SHRI RAMESHWAR THAKUR : Madam, I feel gratified by the amount of interest, discussion and debate that the Budget has generated. During the general discussions on the Budget, Hon'ble Members from both the Houses made many useful suggestions with regard to some provisions contained in the Bill. Many hon. Members of Parliament have also written to me about their suggestions. A large number of suggestions have also been received from members of the public, trade

unions, chambers of commerce, professional bodies and voluntary organisations. I am indeed grateful to all of them for their valuable suggestions. I would like to assure the hon. Members that we have very carefully considered all the points which have been made. Consequently, certain amendments to the Bill were moved in the Lok Sabha. These have been accepted and incoporated in the Bill as passed by the Lok Sabha. I seek the indulgence of the hon. Members to explain some of the amendments made in the Finance Bill after its introduction.

In my Budget speech, I had mentioned that, with the increase in the exemption limit and the reduction in tax rates, many of the income tax concessions were no longer justified. I had, therefore, announced the withdrawal of deductions under Sections 80L, 80CCA and 80CCB of the Income-tax Act. A large number of representations have been received indicating that the withdrawal of section 80L will cause hardship, especially to pensioners and taxpayers in the lower income group who have invested their savings in specified financial assets. Several Members of this august House both from the Treasury Benches and from the Opposition have urged reconsideration of the decision to withdraw concessions under section 80L. In deference to their sentiments and in recognition of the need to protect to the maximum extent possible the interest of taxpayers in the lower income groups, an amendment has been made to the Bill in order to restore the deduction under Section 80L with a monetary ceiling of Rs. 7,000.

With the withdrawal of deductions under section 80CCA in respect of the National Savings Scheme and under section 80CCB in respect of Equity Linked Savings Schemes, etc., I had proposed to enlarge the scope of the tax rebate under section 88 so as to include within its ambit, schemes which are, at present, included under sections 80CCA and 80CCB. The rebate under section 88 is allowed, at present, up to an investment level of Rs. 50,000. In view of the enlargement of scope of the tax rebate, I now propose to raise the ceiling on investment level to Rs. 60,000. The implication is that tax rebate will now be allowed up to Rs. 12,000 as against Rs. 10,000 allowed earlier. Within the overall ceiling of Rs. 60,000, a sub-ceiling of Rs. 10,000 is also proposed in respect of investments in Equity Linked Savings Schemes so as to as ensure the continued viability of the other savings instruments contained in section 88. Hon. Members would recall that in my Budget speech I had proposed to introduce a new simplified procedure for taxation of small retail traders. This proposal was made with a view to building an atmbsphere of trust and confidence among small taxpayers and encouraging them to get over their psychological hesitation in having to deal with income tax authorities. Emboldened by the enthusiasm with which this scheme has been received throughout the country, I propose to enlarge its scope to other small shopkeepers who are engaged in vocations like tailoring, typewriting, photocopying, repair work, laundry service or are running eating places etc. The requirement that persons opting for the simplified procedure should not have any income chargeable to tax from any other source is proposed to be given up. Persons having income from other sources, not exceeding Rs. 5000 in a year in the aggregate, will now be eligible to opt for the new scheme on payment of additional tax for this amount.

In this year's Budget, I have undertaken a major restructuring of the taxation of capial gains. I had proposed inflation indexation of the cost of acquisition of assets. I had, further, proposed tax on long-term capial gains. I had proposed inflation in-in the case of individuals and Hindu undivided families, 40 per cent in the case of companies, firms, associations of persons and bodies of individuals and 30 per cent in all other cases. I have received representations that the tax rate of 40 per cent applicable to certain categories of taxpayers is too high. An amendment has, therefore, been made in the Bill with a view to reducing the tax rate in the case of firms, associations of persons and bodies of ...

श्री सत्य प्रकाश मालवीय (उत्तर प्रदेश) : साढ़े बारह बजे वाले आइटम का क्या हुआ ?

THE DEPUTY CHAIRMAN: Let him finish his speech. It is not proper.

SHRI RAMESHWAR THAKUR: ... individuals from 40 per cent to 30 per cent and from 40 per cent to 20 per cent in the case of venture capital companies.

उपसभापति : ठाकुर साहब आपका भाषण लम्बा है क्या ?

श्री रामेश्वर ठाकुर : हां, थोड़ा और है ।

उपसभापति: अगर जरा जल्दी जल्दी पढ़ दीजिए Because the Minister has to make a statement.

SHRI RAMESHWAR THAKUR: Hon. Members will recall that I had proposed important changes in the taxation of partnership firms with a view to avoiding double taxation of the same income in the hands of both the firm and the partners. I had proposed to exempt partners from the taxation of their share income from the firm. I had also proposed to allow deduction towards interest and salary payment, made to partners, from the income of the firm. The deduction in respect of salary was proposed at the rate of 90 per cent on the first Rs. 1 lakh in the case of professional firms and on the first Rs. 75000 in the case of business firms. In order to help the smaller firms, I now propose to allow 100 per cent deduction of partner's salary up to Rs. 50000 from the firm's income. I have also withdrawn the provisions in the Bill regarding deduction of tax at source on the salary or interest paid to partners as this may cause problems of implementation and avoidable paper work for the firm.

The Bill contains a provision aimed at ensuring the presence of the persons whose premises are searched, for as long as the search operation continued. I have requested the Tax Reforms Committee to examine the entire gamut of the procedural provisions relating to direct tax laws, including the provision concerning search and seizure. It would be desirable to await the Final Report of the Committee in this regard. I have, therefore, withdrawn this provision from the Bill. In my Budget speech, I had announced a significant departure from the existing regime of taxation of wealth with a view to encouraging investments in productive assets. I have, since examined some more aspects of the wealth-tax structure which need immediate attention. There is need to provide that motor cars which form part of stock-in-trade will not be liable for wealth-tax. There is also need to ensure that urban land on which construction is not permissible under any law will not attract wealth-tax. Similar exemption should apply, for a period of up to two years, in respect of land held for industrial purposes. Suitable amendments have been made in the Bill to provide for these exemptions and also to restore some of the exemptions allowed earlier.

I would now like to refer to the proposed modifications relating to indirect taxes. One area of concern in the representations and suggestions I have received is with regard to the possible adverse effects of the reduction of the overall import tariff on the domestic industry. I have given the utmost consideration and thought to thsee representations. Earlier, on 26th March, 1992, I had announced major reliefs on import duty totalling about Rs. 245 crores. I am now proposing further appropriate remedial measures including reliefs in import duty to important sectors. As part of the overall rationalisation of tariff, the concessional import duty of 95% available to certain specified drug intermediates used in the manufacture of bulk drugs had been removed in the Budget. As a result, inputs such as bulk drug intermediates as well as the finished products such as bulk drug attract the same duty rate of 110%. It has been represented that this has led ot inadequate incentive for the production of bulk drugs. I, therefore, propose to restore the concessional import duty of 95% in respect of most of the specified drug intermediates. I also propose to completely exempt specified formulations of certain life-saving drugs and medicines from import duty. In the interest of better eye care, I propose to reduce the excise duty on sterile solutions used for cleaning contact lenses from 105% to 15%.

I propose to reduce the import duty on aseptic form-fill-seal machines for the pharmaceutical industry from 50% to 40%.

Prior to the Budget, specified raw materials and piece parts required for the manufacture of certain components for the electronic industry were attracting basic plus auxiliary rates of import duty at 50% and 70% respectively. As part of the overall rationalisation to remove multiplicity of duty rates, the rates of some of the raw materials and piece parts were reduced to a uniform rate of 40%. The duty concession available in respect of other raw materials and piece parts was withdrawn. It has been represented that the new duty structure has led to certain distortions. To rectify the distortions, I propose to restore the duty differential that existed earlier between the raw materials and piece parts in most of the cases. I now propose that most of the raw materials which were attracting import duty at the rate of 50% prior to the Budget will attract 40% and most of the piece parts which were earlier attracting duty at the rate of 70% will now attract 60%.

उपसभापति : रामेश्वर ठाकुर जी, आप जल्दी खत्म कर दें। because the Minister has to make the statement and go.

SHRI RAMESHWAR THAKUR : I had proposed to reduce the import duty on specified items of machinery used for the manufacture of fly ash and phosphogypsum bricks and building components to 40%. It has been represented that the concession is inadequate as the initial cost of investment for such projects is to high even at the reduced rate of duty. In view of the environmental importance of this activity, I propose to fully exempt the specific machinery used in the manufacture of fly ash and phosphogypsum-based building materials from the whole of the import duty. I had proposed in the Budget to impose an export duty of 10 per cent on certain types of finished leather and on unpolished granite in order to encourage exporters to shift to higher value-added leather products and polished granite. It has been represented that this is too heavy a burden and the duty should be lowered. Accordingly, I propose to reduce the export duty on such finished leather from 10 per cent to 5 per cent and on unpolished granite from 10 per cent to 7 per cent.

In the Budget, I had proposed to allow import of gold by Indians including persons of Indian origin as part of their luggage on payment of an import duty at the rate of Rs. 450 per 10 gms. which worked out to be about 15 per cent in *ad-valorem* terms. I now understand that this has hurt the smugglers. In order to make smuggling even more unremunerative, I propose to reduce the import duty on such gold to Rs. 220 per 10 gms.

I propose to reduce the import duty on ethyl benzene which is a raw material used in the manufacture of polystyrene from 30 per cent to 25 per cent.

Members of Parliament have represented that the persistent under-invoicing of imports is adversely affecting the domestic manufacture of ball and roller bearings, especially those in the small-scale scotor. In order to remedy the situation, I propose to exempt this category of imports from the ceiling of 110 per cent import duty to become operational. However, the *ad-valorem* duty rates are being reduced in many cases so that the total duty incidence on these items will be lowered in line with the general thrust of the Budget proposals.

At present, computer and computer peripherals with the exception of six specified computer peripherals attract basic plus auxiliary rate of import duty at the rate of 75 per cent. In the new Export-Import Policy, imports of computers and computer peripherals have been liberalised. It has been represented that in the changed circumstances, the duty of 75 per cent is not sufficient to protect the domestic industry. Accordingly, I propose to raise the import duty on these computers and computer peripherals to 110 per cent. I hope that the domestic industry will take note of the fact that this is a transitional measure and the domestic industry must gear itself to live with lower levels of protection in the future.

[SHRI RAMESHWER THAKUR]

In the Budget, I had proposed to levy a duty of 30 per cent on insulated thermoware and vacuum flask. It has been represented to me that this industry is still young and has great potential for exports, but needs fiscal incentives for some time more. Accordingly, I propose to restore the full exemption from Excise duty that was available prior to the Budget.

As an incentive for the readymade garment and hosiery industry, which contributes significantly to our exports, I propose to reduce the import duty on certain specified trimmings and embellishments used by this industry from over 100 per cent to 45 per cent.

Madam, certain amendments to the Finance Bill seeking to make some changes in the Excise and Customs tariff have been made which have since been accepted and incorporated in the Bill as passed by the Lok Sabha. These amendments are general enabling provisions and have no revenue significance.

The exemption notifications relating to the changes in the indirect taxes will be laid on the Table of the House in due course.

Madam, I do not propose to take the time of the House in dealing with a few other amendments in the Bill which are merely by way of drafting or are procedural or are consequential in nature.

Madam, taking the direct and indirect taxes together, the changes that I have proposed are expected to result in a net revenue loss of Rs. 331 crores to the Centre and Rs. 271 crore to the States.

Madam, I trust that this Bill, as passed by the Lok Sabha, will receive the unanimous support of this House. I move the Bill for the consideration of the House.

The question was proposed.

THE DEPUTY CHAIRMAN: The House knows that the Minister, Mr. Faleiro, is here. He has to make an urgent statement on the floor of the House. I request the Members that clarifications can be asked later, because the urgency for Mr. Faleiro making the statement is not only the subject but Mr. Faleiro is also going today at 3 o'clock, for an urgent Non-aligned meeting. When he comes back . . (*Interruptions*) He will come back, I hope.

If the Members so want, to save time, he can lay it on the Table of the House.

SHRI SATYA PRAKASH MALAVIYA: Then it should not have been listed. (*Interruptions*).

THE DEPUTY CHAIRMAN: It is only a one-time procedure. Only a one-time procedure—not a precedent. If he lays it on the Table of the House, to save time for the Finance Bill, it will be a one-time procedure only. (*Interruptions*) Okay. Read it fast.

STATEMENT BY MINISTER

Recognition of Independent States Following Dissolution of Socialist Federal Republic of Yugoslavia.

THE MINISTER OF STATE IN THE MINISTRY OF EXTERNAL AFFAIRS (SHRI EDUARDO FALEIRO): Madam, . . Hon'ble Members will have followed closely the recent developments in what was the Socialist Federal Republic of Yugoslavia and which had comprised six republics, namely, Bosnia-Herzegovina, Croatia, Macedonia, Montenegro, Serbia and Slovenia. Last year a series of major political developments took place in that country which led to the creation of five international entities. The new Federal Republic of Yugoslavia, declared on 27th of last month, comprises Serbia and Montenegro. The four other States have declared their independence and Slovenia, Croatia and Bosnia-Herzegovina have been recognised by a large number of nations in the international community, including virtually all the States in Europe.

It has been decided by Government that we shall now accord recognition and enter into diplomatic relations with the Republics